

Agriculture and the WTO Negotiations

Statement of Ambassador Rob Portman
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before the
Committee on Agriculture, Nutrition, and Forestry

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I am pleased to be here today with my former colleague, Chairman Chambliss, Senator Harkin and other distinguished members of the Committee. Our trade agenda is vitally important to America's agricultural community. Secretary Johanns' statement underlined the importance of trade for the farm economy – export markets are critical today and will be even more important in the future. Income and consumption growth among nearly 6 billion potential international customers provides the best opportunity for American farmers and ranchers to succeed. We have made significant progress reaching these customers through our Free Trade Agreements. The WTO Doha Development Agenda negotiations is the opportunity to significantly improve market access for our products all around the globe.

Last week, at the United Nations General Assembly meeting, the President challenged the world to end barriers to trade, explaining “the United States is ready to eliminate all tariffs, subsidies and other barriers to free flow of goods and

services as other nations do the same.” The U.S. is already the most open developed country, and we will benefit the most from bold trade liberalization reforms. However, we will not consider changes to our own programs unless the other WTO Members commit to open their markets to our goods and agree to further reduce their own subsidy and trade-distorting programs. I will not sign on to any agreement that does not provide a more level playing field.

The agriculture negotiations are a major focus of Doha but also must be considered along with the other major areas: manufacturing and services, as well as trade rules. Failure to reach an agreement would squander a worthy opportunity for American farmers, and would plunge the world trading system into further uncertainty.

Agriculture and Trade

Already one in every three acres of American farmland is planted for export. In 2004, we had a \$9.7 billion trade surplus in agriculture. Exports are critical for a healthy farm sector in the United States. Our farmers are so efficient, and our land so productive, that we produce far more than we can consume at home. With 95 percent of our potential customers overseas, and the U.S. market itself mature, we must secure access to the customers of the world to maintain growing profits. Today we export \$62.4 billion a year in agriculture products, and for some crops

exports exceed 50 percent of our total production. Our farmers have the most to gain from a successful Doha Round agreement.

Trade should be a nonpartisan issue. I've already met with many Senators and Members – from both sides of the aisle – and I look forward to our continued conversations. I can assure you I am committed to rebuilding the bipartisan consensus on trade so together we can knock down global trade barriers for our farmers and ranchers. I also believe it is in the interest of your constituents who will benefit from higher paying jobs, lower cost consumer products, better protection of their intellectual property, or increasing market access for their corn, pork, vegetables and other agricultural products.

The United States has called for elimination of export subsidies and substantial reductions in tariffs and trade-distorting domestic support as soon as possible, and the eventual elimination of all remaining tariff and trade-distorting domestic support. Any agreement the United States will support must, as a precondition, reduce the disparities that exist between the United States and our major competitors. These goals are echoed in Trade Promotion Authority, which calls for substantial reductions or elimination of trade-distorting measures and greater harmonization of allowed levels of protection and support with other WTO members.

The Benefits of Trade

Trade, both imports and exports, contribute to a higher standard of living for American families. A recent report by the Institute for International Economics estimates that international trade added \$1 trillion to our annual income, or \$9,000 for the average American household, due to increased trade liberalization since 1945. Research done by the University of Michigan demonstrates that lowering remaining global trade barriers by just one-third would boost average annual U.S. family purchasing power by an additional \$2,500. If all barriers were removed, every American household would gain an additional \$7,500 of annual income. Further, a World Bank study states that eliminating trade barriers could lift 300 to 500 million people out of poverty over the next 15 years.

The Doha Round: Agriculture

The Doha Round negotiations have the potential to substantially reduce market access barriers to goods and services throughout the world. One way to open markets is through free trade agreements, such as the recent free trade agreements with Australia, Singapore, Chile, Morocco, Jordan, and the CAFTA countries of Honduras, Guatemala, Nicaragua, Costa Rica, El Salvador and the Dominican Republic. These agreements build momentum for broader and more comprehensive talks at the multilateral level. Our goal in the Doha negotiations is to help level the playing field for our agriculture producers by opening new

markets and facilitating the most efficient movement of goods across borders.

There will be no other single opportunity to achieve such comprehensive gains for American farmers. Our challenge now is to communicate to our farmers that the end product of these negotiations will put them in a better position tomorrow than they would be without an agreement, and we ask for your help in delivering that message.

The promise of the WTO negotiations for U.S. farmers and ranchers is considerable. The expansion of global income through the adoption of market-oriented policies will open markets throughout the world, to the great benefit of the U.S. farm community. As people's wealth increases, they consume more and move up the value-added food chain to high value U.S. agricultural products such as meats, processed foods, and fruits and vegetables.

Under the Doha Development Agenda, WTO Members agreed in a July 2004 Framework Agreement to reduce trade-distorting domestic support, deliver substantial improvements in market access, and phase out export subsidies.

According to the USDA's Economic Research Service, the average allowed tariff on agricultural products for WTO Members is 62 percent, and some of these tariffs can be up to and above 1,000 percent. By contrast, the average U.S. agricultural tariff is just 12 percent.

Status of the Agriculture Negotiations

The negotiations are now at a critical juncture. Tangible progress must be achieved to reach an agreement by the end of 2006, so a final agreement can be completed while Trade Promotion Authority remains in place. First, without a good deal for our farmers and ranchers in agriculture, there will be no final Doha agreement. Countries which have blocked U.S. access to their markets, specifically through high tariffs, need to show they are serious about opening markets in the negotiations. Second, we need to ensure that negotiations substantially reduce the disparity that exists between the United States and the European Union on allowed levels of trade-distorting domestic support. Under the WTO rules the EU is allowed over four times the most trade distorting subsidies as the U.S., and they provide about three times as much. All countries, and the EU in particular, should reduce the trade-distorting effects of support programs to create a more level playing field, even as WTO rules preserve room for non-trade distorting farm programs. Finally, we are looking for the speedy elimination of export subsidies and tough rules to guard against circumvention of export subsidy rules through other export programs. Direct export subsidies are predominantly used by the European Union, which accounts for approximately 90 percent of the world total in this area.

July 2004 Agriculture Framework

The Doha negotiations, including agriculture, have moved very slowly for more than a year, but in the last weeks we've had constructive and frank conversations to try to move the process forward. We've agreed to build upon the agreed upon July 2004 agriculture framework. Key provisions include: the elimination of agricultural export subsidies by a date certain; tighter disciplines on export state trading enterprises and export credit programs; substantial reductions in tariffs with higher tariffs getting deeper cuts; substantial reductions in trade-distorting domestic support with countries that have higher allowed levels making deeper cuts; a new cap on the "blue box"; and room to expand the definition of "blue box policies" to accommodate other programs. A number of other concepts were identified to address import sensitive products.

Food aid is another area where we want to work closely with the Committee. Some WTO Members have suggested that the provision of in kind food aid be prohibited, moving to a "cash only" rule. That is not our view. Instead, we have worked with the poorer countries and the private voluntary organizations to ensure that the appropriate range of tools is available to address requests for food assistance but subject to rules that guard against displacement of commercial sales.

Conclusion

Today, as asked by the Committee, I have focused my remarks on the WTO Agriculture negotiations. But the promise of Doha goes beyond just agriculture. Our farmers and ranchers are the most competitive and productive producers in the world. Part of the reason is because they have access to the necessary infrastructure -- whether it is telecommunications and distribution networks or other services to get their products to market. Doha is about opening markets in these areas as well, and expanding the rule of law among WTO Members. Agriculture is fundamental to moving Doha ahead, particularly as we look to Hong Kong Ministerial meeting in December, but our strategy will continue to embrace our broad objectives of strengthening the trading system so all will benefit.

I again want to thank the Committee for their interest in this very important topic, one that holds much promise but also many challenges. I look forward to working closely with you in the coming weeks and months as we intensify our work on the WTO negotiations. To succeed we must consult closely together to ensure that we achieve the best possible result for the Doha Round. Working together, I am confident that we will be able to craft a trade agreement that advances the interests of U.S. farmers and ranchers, grows our economy, and expands economic and political freedom across the globe.